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DOMINION MAGNESIUM
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Annual Report

For The Financial Period Ended December 31, 1963



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Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

<i>OFFICERS</i>	R. J. JOWSEY - - President J. THOMSON - - Vice-President and General Manager H. B. CLEARIHUE - - Secretary-Treasurer
<i>DIRECTORS</i>	R. J. JOWSEY - - Toronto H. J. FRASER - - Toronto J. THOMSON - - Toronto G. T. N. WOODROOFFE - - Toronto J. G. WEIR - - Toronto F. H. JOWSEY - - Toronto L. M. PIDGEON - - Toronto J. M. MORTIMER - - Toronto
<i>TRANSFER AGENT AND REGISTRAR</i>	Crown Trust Company, 302 Bay Street, Toronto, Ontario
<i>AUDITORS</i>	Gunn, Roberts and Co., Toronto, Ontario
<i>BANKERS</i>	Royal Bank of Canada, Toronto, Ontario Bank of Montreal, Renfrew, Ontario
<i>GENERAL COUNSEL</i>	Fasken, Calvin, Mackenzie, Williston and Swackhammer 36 Toronto Street, Toronto, Ontario
<i>HEAD AND SALES OFFICE</i>	7 King St. E., Toronto 1
<i>PLANT</i>	Haley, Ontario
<i>ANNUAL MEETING</i>	April 8th, 1964, 11:30 a.m. (Toronto Time) Fountain Court, King Edward Hotel — Toronto

Dominion Magnesium Limited

Directors' Report

Your Directors submit herewith the Annual Report of your Company for 1963.

The Consolidated net profit for the year was \$411,234 equivalent to 86¢ per share as compared with \$232,640 or 49¢ per share for 1962. Included in this profit is income amounting to \$175,721 from the sale of technical know-how and royalties which is of a non-recurring nature.

Annual sales of your Company's products amounted to \$6,318,052 for 1963, as compared with \$6,752,434 in the previous year which included sales of Light Alloys Limited.

Shipments of the Company's main products were as follows:

	Year ended December 31	
	1963	1962
Magnesium	9,565 tons	9,458 tons
Calcium	98,647 lbs.	123,407 lbs.
Thorium	7,099 lbs.	15,625 lbs.

Production of magnesium crowns was an all time record of 20,000,637 lbs., an increase of almost 5% over 1962's production of 19,053,606 lbs. Two of the electrically heated reduction furnaces were shut down for repairs at the end of January, 1963 and because of lack of orders were not placed in production until June, 1963.

Titanium and zirconium were produced in the Research Centre. The zirconium produced was used mainly in our production of alloys.

Ferrosilicon costs were lowered at the Beauharnois smelter. However, many operating problems of the new 15,000 K.V.A. arc furnace were not overcome until late in the year and therefore further reduction in cost is expected.

Capital expenditures for the year amounted to \$463,044 mainly to cover the cost at Haley of an addition to the melt plant, integration of a drying, screening and bagging unit with the crushing plant, and at the Beauharnois smelter additional fume stacks and a change house. The addition to the melt plant was necessary to improve ingot handling and shipping facilities. The addition to the crushing plant will improve the quality of the kiln feed product by removal of fines and the separated fines can be marketed profitably.

Research work concentrated on condensation, process efficiency, product improvement and die casting alloys.

Aerometal Products & Design Limited had sales of \$219,248, a 40% increase over last year's sales of \$156,583. Improvement in sales was accounted for largely by custom orders and to a lesser extent by reels, drill rods, snow pushers, step ladders and grain handling equipment. The available handling and storage space is not adequate for the volume of business at certain times which adversely affects manufacturing costs. Plans for expansion of the plant area are being considered.

Your Company has been able to maintain its marketing position in the world markets, despite increased production by competitors and generally prevailing low prices for magnesium. However, the Canadian Government by removing the sales tax exemption on production machinery and apparatus in the 1963 Budget Resolutions, seriously threatened our competitive position in the world markets by substantially increasing our production costs. Fortunately, in response to strong protest by industry, the application of the tax has been materially modified through the interpretation of the classes of materials affected by the tax.

Your Directors record with sorrow the sad and untimely death on August 3, 1963, of the former Vice-President of your Company, Mr. Collamer Chipman Calvin, Q.C., who had been a Director of the Company since its inception and the Vice-President since 1953. He had taken a keen interest in all the affairs of the Company and his counsel was constantly sought both in matters of law and business.

The Board would like to pay warm tribute to our Plant Managers, Messrs. D. J. McPhail, W. Z. Jarmicki and to H. G. Warrington, Sales Manager, together with all the staff and employees for their efforts during the year.

On behalf of the Board,

R. J. JOWSEY,
President.

J. THOMSON,
Vice-President and General Manager.

Toronto, Ontario.
March 12, 1964.

Dominion Mag

(Incorporated under the law of the Province of Ontario)

AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS

		1962 Comparative Figures
Cash	\$ 459,878	\$ 311,425
Accounts receivable	1,022,280	1,326,117
Investment in short term securities at cost and accrued interest	962,379	808,319
Inventories valued at the lower of cost or market	991,711	928,980
Prepaid expenses	32,091	30,495
	<u>\$3,468,339</u>	<u>3,405,336</u>

FIXED ASSETS at cost

Mining properties and land	88,623	88,623
Plant and equipment	\$8,484,908	8,066,067
Less accumulated depreciation	5,825,307	(5,541,899)
	<u>2,748,224</u>	<u>2,612,791</u>

OTHER ASSETS AND DEFERRED CHARGES

Patent rights less amounts written off	19,426	25,143
Deferred charges	31,278	34,065
	<u>50,704</u>	<u>59,208</u>

Approved on behalf of the Board:

JOHN THOMSON, Director.

H. J. FRASER, Director.

\$6,267,267 \$6,077,335

AUDITORS

To the Shareholders of
Dominion Magnesium Limited:

We have examined the consolidated balance sheet of Dominion Magnesium Limited for the year then ended. Our examination included a general review of the supporting evidence as we considered necessary in the circumstances, except for two sub-items of their auditors, Messrs. Thorne, Mulholland, Howson & McPherson, Chartered Accountants.

In our opinion, based on our examination and the reports of the other chartered accountants, the statements of income and earned surplus present fairly the financial position of the company in accordance with generally accepted accounting principles applied on a basis consistent with the practice of the company.

Toronto, Canada,
February 25, 1964.

esium Limited

(Incorporated in the Province of Ontario)

COMPANIES

et — December 31, 1963

LIABILITIES

CURRENT LIABILITIES

		1962 Comparative Figures
Accounts payable and accrued liabilities	\$ 495,737	\$ 461,755
Mortgage principal payable within one year	—	4,200
Employees' savings and pension fund contribution payable	51,645	21,312
Income taxes payable	2,635	536
	<u>\$ 550,017</u>	<u>487,803</u>

MORTGAGE PAYABLE

4½%, first mortgage, less amount included in current liabilities ..	128,206
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INCOME TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	92,032	—
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PROVISION FOR PLANT AND EQUIPMENT REPAIRS	272,059	281,266
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CAPITAL STOCK AND SURPLUS

Capital stock		
Authorized — 500,000 shares of no par value		
Issued — 476,270 shares	3,203,045	3,203,045
Earned surplus	2,150,114	1,977,015
	<u>5,353,159</u>	<u>5,180,060</u>

<u>\$6,267,267</u>	<u>\$6,077,335</u>
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REPORT

and subsidiary companies as at December 31, 1963 and the consolidated statements of
review of the accounting procedures and such tests of accounting records and other
ary companies for which we were furnished with financial statements and reports thereon
nts.

untants referred to above, the accompanying consolidated balance sheet and consolidated
es as at December 31, 1963 and the results of their operations for the year then ended,
with that of the preceding year.

GUNN, ROBERTS AND CO.,
Chartered Accountants.

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1963

		1962 Comparative Figures
Sales	\$6,318,052	\$6,752,434
Cost of sales	5,473,347	6,141,068
	<u>\$ 844,705</u>	<u>611,366</u>
Rental revenue, Beauharnois plant	202,550	181,086
Profit from operations before the following deductions	1,047,255	792,452
Deduct		
Selling, general and administrative expenses	231,584	211,887
Research	124,882	116,566
Depreciation	327,611	281,267
Mortgage interest	1,960	5,986
Patent expenses and amortization	14,508	13,515
Directors' fees	1,500	1,900
Contribution to employees' savings and pension fund	51,645	21,312
	<u>753,690</u>	<u>652,433</u>
	293,565	140,019
Other income		
Investment income	44,055	29,756
Royalty income	68,121	62,349
Sale of technical information	107,600	10,000
Sundry income	4,725	516
	<u>224,501</u>	<u>102,621</u>
Income before income taxes	518,066	242,640
Income taxes including United States withholding tax (see note)	106,832	10,000
Net income for the year	<u>\$ 411,234</u>	<u>\$ 232,640</u>

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended December 31, 1963

		1962 Comparative Figures
Balance at beginning of year	\$1,977,015	\$1,744,375
Net income for the year	411,234	232,640
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	2,388,249	1,977,015
Deduct dividend	238,135	—
	<hr/>	<hr/>
Balance at end of year	<u>\$2,150,114</u>	<u>\$1,977,015</u>

NOTE TO FINANCIAL STATEMENTS

As a result of the company's intention to claim depreciation allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$92,032 and accordingly this amount is included in the balance sheet under the item "Income tax reductions applicable to future years."

As a result of claiming for tax purposes depreciation previously recorded in the accounts, income taxes for 1962 were reduced by \$156,000.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1963

Source of Funds

Net income for the year	\$ 411,234	
Add charges therein not involving the outlay of cash		
Depreciation	327,611	
Amortization of patents	9,120	
Income tax reductions applicable to future years	92,032	\$ 839,997
	<hr/>	
Decrease in deferred charges		2,787
		<hr/>
		842,784

Application of Funds

Dividend	238,135	
Additions to fixed assets less disposals	463,044	
Mortgage payable	128,206	
Expenditures for plant and equipment repairs in excess of charges to operations	9,207	
Cost of acquiring patents	3,403	841,995
	<hr/>	<hr/>
Increase in working capital		\$ 789
		<hr/>
Working capital at December 31, 1963	\$2,918,322	
Working capital at December 31, 1962	2,917,533	
	<hr/>	
Increase	\$ 789	

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys

Ingots, Billets
Extrusions

Calcium Metal in all grades and forms.

Calcium Alloys

Thorium Metal

Zirconium, Thorium, Titanium Metals and Master Alloys,
Barium, Strontium metals. Specialty Alloys.

— SUBSIDIARY COMPANY —

Aerometal Products & Design Limited Magnesium Designers and
Fabricators
Ferrosilicon Plant

Head Office

7 King St. E.
Toronto 1, Ontario

Plant Office

195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods

Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers

